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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI 737-82
28 January 1982MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council


FROM:




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National Intelligence Officer for NESA


SUBJECT: 29 January Breakfast with SecDef Weinberger and
Asst. SecDef Carlucci

1. Attached are analyses of Egypt's current foreign posture (progressively more independent) and of the Egyptian-Soviet relationship. 

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2. Referring specifically to the issues raised on 27 January at the House Armed Services Committee by Congresswoman Holt and another representative, the issue is clearly not one of an increasingly pro-Soviet orientation. It is merely Egypt moving away from an unusually exposed position of identification with ourselves and Israel into one which, while still pro-Western, may be more in line with its current interests. Our interest, in my opinion, is to ensure this process occurs without forcing them to "stand up and be counted," as the Israelis may wish. Under this reasoning, they should not be pressured to sign a Palestinian autonomy agreement which is totally unacceptable in the moderate Arab world. 

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3. According to his deputies, Secretary Haig does not subscribe to the above point of view. 

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25X1Attachments:
Analyses

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Egypt's Foreign Posture

There are signs that Egypt already is moving toward a more independent foreign policy stance:

- Cairo has requested the return of Soviet technicians to operate and maintain some Soviet-built plants;
- President Mubarak has indicated publicly that he is considering agreeing to the return to Cairo of the Soviet Ambassador;
- There has been an increase in contacts between Egypt and other moderate Arab states, particularly Saudi Arabia; and
- Cairo has contracted for the purchase of Mirage 2000 fighter aircraft from France.

President Mubarak's visit to Washington comes at an important juncture in US-Egyptian relations. There is a growing consensus among Egyptians that the relationship with the US has failed to meet many of their expectations. As the Israeli withdrawal from Sinai approaches, Egyptians are eager to end their isolation in the Arab world and may take some symbolic moves to distance themselves from Washington in order to facilitate a return to the Arab mainstream.

Egyptian-French Arms Deal

Egypt's agreement to purchase 20 Mirage 2000 fighter aircraft from France reflects Cairo's desire to:

- diversify its arms supply; and
- encourage Washington to accelerate military deliveries.

The French, for their part, were anxious to conclude this first foreign sale of the Mirage 2000 and provided very generous credit terms.

Diversification of arms supply will please those officers within the Egyptian military who complain of too close ties with the United States and who have been unhappy with the long lead times involved in US military deliveries.

The Mirage 2000 as a substitute for the US F-16 may, however, disappoint the Egyptians.

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-- It is not yet on the production line. Mubarak said he expects initial deliveries later this year, but delivery is not likely before 1983 and then only if Paris is willing to divert aircraft intended to fill French Air Force orders. If not, deliveries will be delayed until the mid-1980s.

-- India, a potential buyer, is not satisfied with the aircraft's powerplant and avionics; has refused to buy until improvements are made.

While buying from the French meets Egyptian political objectives for supply diversification, it will overtax already limited Egyptian manpower and logistic support capabilities.

Egypt-US: Arms Supply Negotiations

Mubarak is very sensitive to complaints from the Egyptian officer corps -- his key power base -- and will seek to obtain promises of expanded deliveries and more generous credit terms. The Administration is searching for new initiatives to satisfy Mubarak's need to obtain something visible and concrete to carry back to Egypt. Within the Department of State, there apparently is a last-minute rush to devise something that will satisfy both sides.

The Egyptian military earlier this week presented its current military purchase "wish list" to the US-Egyptian Military Coordinating Committee. They asked for additional deliveries of:

- F-16 and C-130 aircraft;
- M-60 tanks;
- I-Hawk missile batteries;
- armored personnel carriers; and
- training.

The Egyptians also asked for 2 E2C surveillance aircraft, the only item on their list we have never negotiated for previously. The USG is moving ahead with Congressional notification of our intent to sell the F-16s, M-60 tanks, and previously-requested AIM-9L missiles.

With regard to financing, Mubarak will press for greater "forgiveness" -- and more concessional financing terms, particularly in FY 1983 and beyond. The Administration apparently is considering just that, perhaps making outright grants of some \$250 million of the current annual \$900 million in Foreign Military Sales credits.

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